

ORIGINAL

OPEN MEETING ITEM

10/4/12



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COMMISSIONERS
GARY PIERCE, Chairman
BOB STUMP
SANDRA D. KENNEDY
PAUL NEWMAN
BRENDA BURNS

ERNEST G. JOHNSON
EXECUTIVE DIRECTOR

2012 SEP 21 A



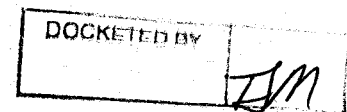
ARIZONA CORPORATION COMMISSION

SECURITIES DIVISION
1300 West Washington, Third Floor
Phoenix, AZ 85007
TELEPHONE: (602) 542-4242
FAX: (602) 388-1335
E-MAIL: securitiesdiv@azcc.gov

MEMORANDUM

Arizona Corporation Commission
DOCKETED

SEP 21 2012



TO: Gary Pierce, Chairman
Bob Stump
Sandra D. Kennedy
Paul Newman
Brenda Burns

FROM: Matthew J. Neubert *mj-*
Director of Securities

DATE: September 12, 2012

RE: Order to Cease and Desist, Order for Administrative Penalties and Consent to Same By: Respondents Chazel Capital, Inc., Respondent OFIR Mine Project, LP, and Respondent Kyle K. Huskin, Docket No. S-20848A-12-0150

CC: Ernest G. Johnson, Executive Director

Attached is a proposed Order to Cease and Desist, Order for Administrative Penalties and Consent to Same By: Respondents Chazel Capital, Inc. ("Chazel"), Respondent OFIR Mine Project, LP ("OFIR"), and Respondent Kyle K. Huskin ("Huskin") ("collectively Respondents") ("Order"). The Order finds that from at least March 26, 2012 to April 2012, Chazel and Huskin offered investors limited partnership interests to fund a joint venture in a mining project in OFIR to Arizona residents through the use of a web site, <http://www.chazelcapital.com> ("Chazel website"), telephone solicitation, and email solicitation. According to the offering materials, Respondents were seeking to raise capital through the sale of LLC interests in OFIR to fund a gold mining project. Respondents are not registered as securities salesmen or dealers, nor has the investment been registered with the Commission.

The Order finds that Respondents violated A.R.S. §§ 44-1841 and 44-1842 by selling unregistered securities while being unregistered. In addition, the Order finds that Respondents violated A.R.S. §44-1991 because there were untrue statements or misleading omissions of material fact contained on the Chazel Website and in the offering materials. The Order requires the Respondents to cease and desist their activity and to pay an administrative penalty in the amount of \$7,500. Respondents have tendered payment of \$7,500 in anticipation of the open meeting.

The Division believes that the Order is appropriate to protect the public welfare.

Originator: Stacy Luedtke

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1 registered to do business in the state of California since May 3, 2011. CHAZEL has not been
2 registered by the Commission as a securities salesman or dealer.

3 2. At all relevant times, OFIR MINE PROJECT, LP ("OFIR LP") has been a limited
4 partnership organized under the laws of the state of California on August 13, 2010, with a
5 business address in San Diego, California. OFIR LP has not been registered by the Commission as
6 a securities salesman or dealer.

7 3. At all relevant times, KYLE K. HUSKIN ("HUSKIN") has been a California
8 resident. At all relevant times, HUSKIN offered unregistered securities within and from Arizona in
9 his individual capacity, and on behalf of CHAZEL as the "Senior VP of Acquisitions & Investor
10 Relations." HUSKIN has not been registered by the Commission as a securities salesman or
11 dealer.

12 4. At all relevant times, CHAZEL has been the General Partner of OFIR LP and has
13 acted as the managing partner of the OFIR LP partnership.

14 5. CHAZEL, OFIR LP, and HUSKIN may be referred to collectively as
15 "Respondents."

16 6. From at least March 26, 2012 until April 2012, CHAZEL offered investors limited
17 partnership interests to fund a joint venture in a mining project in OFIR LP (hereafter, "limited
18 partnership mining interests").

19 7. CHAZEL offered limited partnership mining interests in OFIR LP to offerees via its
20 website, <http://www.chazelcapital.com> ("Chazel website"), directly contacted one Arizona resident
21 and offeree on March 26, 2012 ("Offeree-1") by telephone solicitation with a follow-up email
22 solicitation, and again offered the limited partnership mining interests to an Arizona offeree in
23 April 2012 ("Offeree-2").

24 8. CHAZEL solicited Offeree-1 by telephone and email on March 26, 2012. Offeree-1
25 had no previous relationship with CHAZEL, the individual that contacted him on behalf of
26

1 CHAZEL, or OFIR LP. The email solicitation attached a document titled "OFIR Mine Executive
2 Summary" ("Executive Summary").

3 9. Via its email solicitation and distribution of the Executive Summary, CHAZEL
4 represented that it is "is a privately held 'Acquisition, Mining, and Exploitation Company' that
5 seeks out and formulates 'Profit Sharing Joint Ventures' with Junior Exploration Companies that
6 have proven resources and are on the verge of becoming a gold producer."

7 10. CHAZEL represented to Offeree-1 via its email solicitation and Executive Summary
8 that CHAZEL had recently obtained a 50% interest in a profit sharing joint venture in
9 "development and exploitation" of multiple gold veins at the OFIR mine located in the Arequipa
10 region of Peru ("OFIR Mine"). CHAZEL represented to Offeree-1 that its joint venture partner in
11 the OFIR Mine is Rocmec Mining, Inc. ("Rocmec"), a publicly traded Canadian mining
12 corporation traded on TSX Ventures Exchange, the Frankfurt Stock Exchange, and the OTC Pink
13 Sheets.

14 11. CHAZEL's represented "THE OPPORTUNITY" in the limited partnership mining
15 interests to Offeree-1 via its email solicitation and Executive Summary. The terms were as
16 follows:

17 (a) the investment is in units of a California limited partnership, OFIR LP, with
18 funds used "to make necessary property improvements, acquire additional mining
19 equipment, and implement modern mechanized extraction techniques" for the OFIR
20 Mine;

21 (b) that investors in OFIR LP will act as one of three "joint venture parties" for the
22 OFIR Mine, including CHAZEL, Rocmec, and OFIR LP. Rocmec is to act as the
23 mine operator, and OFIR LP is to fund the OFIR Mine project via its investors;

24 (c) the total offering price for OFIR LP is \$2,000,000;

25 (d) the minimum investment is \$10,000 for one partnership unit in OFIR LP;
26

1 (e) 25% of the profits are to be shared between the OFIR LP investors, 25% to
2 CHAZEL, and 50% to Rocmec, distributed quarterly for five years in cash or gold
3 after mechanized production of the mine begins.

4 12. Via its email solicitation and Executive Summary, CHAZEL encouraged Offeree-1
5 to contact the Investor Relations Division of CHAZEL in San Diego, California, and to visit the
6 Chazel and Rocmec websites.

7 13. On April 6, 2012, CHAZEL again communicated with another Arizona resident and
8 offeree ("Offeree-2") regarding the limited partnership mining interests. Offeree-2 was put in
9 touch with HUSKIN to discuss the limited partnership mining interests on behalf of CHAZEL.
10 Offeree-2 had no previous relationship with HUSKIN, CHAZEL or OFIR LP.

11 14. Between April 9, 2012 and April 12, 2012, Offeree-2 and HUSKIN exchanged
12 several emails and had several telephone calls regarding the limited partnership mining interests.
13 HUSKIN emailed Offeree-2 a subscription agreement for the investment, which offers limited
14 partnership interests in OFIR LP to offerees at a cost of \$10,000 per unit, with a total offering of
15 200 units.

16 15. HUSKIN represented to Offeree-2 that there were numerous investors in the limited
17 partnership mining interests, and that the investment was low risk, stating that "the majority of the
18 risk has been taken out".

19 16. HUSKIN also emailed Offeree-2 the Executive Summary and a Limited Partnership
20 Agreement for OFIR LP ("Partnership Agreement"). The Partnership Agreement states that the
21 General Partner of OFIR LP is CHAZEL, and that the

22 General Partner shall have full, exclusive and complete discretion in the
23 management and control of the affairs of the Partnership for the purposes herein
24 stated, and shall make all decisions affecting Partnership affairs, and shall have the
25 exclusive rights and authority to execute and deliver on behalf of the Partnership
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1 such documents or instruments relating to Partnership affairs as may in his opinion
2 be appropriate in the conduct of Partnership business . . .

3 The Partnership Agreement also states that “[t]he General Partner shall, to the best of his ability,
4 manage and control the business of the Partnership and shall have the exclusive power to do all
5 things which he deems necessary or advisable for such purpose.” The Partnership Agreement
6 further states that “No Partner shall in any way participate in the management or control of the
7 business of the Partnership or transact business in the name of the Partnership. Furthermore, no
8 Partners shall have the power to sign for or bind the Partnership to any agreement or document.”

9 17. At all relevant times, the Chazel website was available to the public and contained
10 information that is similar, but not identical, to the information in the email solicitation and
11 Executive Summary concerning the limited partnership mining interests.

12 18. At all relevant times, on the Current Project tab of the Chazel website, CHAZEL
13 provided offerees information about the limited partnership mining interests, and invited offerees
14 to input their name and phone number to receive an “OFIR Mine Executive Summary”.

15 19. The Chazel website disclosed to offerees the joint partnership with Rocmec in the
16 OFIR Mine, represented that the mine could produce 48,000 ounces of gold, and allowed offerees
17 to open a link to an Executive Presentation on the OFIR Mine Project (“Executive Presentation”).

18 20. CHAZEL’s Executive Presentation provided offerees with the terms of the limited
19 partnership mining interests set forth in Paragraph 10, and again represented that the OFIR Mine
20 has 48,000 ounces of gold reserves.

21 21. CHAZEL’s Executive Presentation also contains a slide titled “What’s the risk?”
22 The slide lists no risks and only highlights purported benefits of the limited partnership mining
23 interests.

24 22. CHAZEL also represented to offerees via the Executive Presentation that the limited
25 partnership mining interests are a “Turnkey opportunity - Ideal for investors who are not experts in
26 mining deals”.

23. On August 12, 2011, the Pennsylvania Securities Commission issued a Summary Order to Cease and Desist against CHAZEL and OFIR LP finding that the limited partnership mining interests offered to a Pennsylvania resident violated the Pennsylvania Securities Act of 1972, and ordering them to stop offering the sale of the limited partnership mining interests in Pennsylvania ("Pennsylvania Cease and Desist Order"). On October 4, 2011, the Pennsylvania Securities Commission rescinded the Order to Cease and Desist and entered Findings of Fact, Conclusions of Law, and Order ("October 4th Order") due to an offer of settlement by CHAZEL and OFIR LP. The October 4th Order contains a finding of a violation of the Pennsylvania Securities Act of 1972, and CHAZEL and OFIR consented to imposition of sanctions related to the limited partnership mining interests.

24. Respondents did not disclose the Pennsylvania Cease and Desist Order and October 4th Order to offerees on the CHAZEL website, or in any of the written or oral communications with, or materials provided to, Offeree-1 and Offeree-2.

II.

CONCLUSIONS OF LAW

1. The Commission has jurisdiction over this matter pursuant to Article XV of the Arizona Constitution and the Securities Act.

2. Respondents offered securities within or from Arizona, within the meaning of A.R.S. §§ 44-1801(15), 44-1801(21), and 44-1801(26).

3. Respondents violated A.R.S. § 44-1841 by offering securities that were neither registered nor exempt from registration.

4. Respondents violated A.R.S. § 44-1842 by offering securities while neither registered as dealers or salesmen nor exempt from registration.

5. Respondents violated A.R.S. § 44-1991 by failing to disclose the existence of the Pennsylvania Cease and Desist Order and October 4th Order to offerees.

6. Respondents' conduct is grounds for a cease and desist order pursuant to A.R.S. § 44-2032.

7. Respondents' conduct is grounds for administrative penalties under A.R.S. § 44-2036.

III.

ORDER

THEREFORE, on the basis of the Findings of Fact, Conclusions of Law, and Respondents' consent to the entry of this Order, attached and incorporated by reference, the Commission finds that the following relief is appropriate, in the public interest, and necessary for the protection of investors:

IT IS ORDERED, pursuant to A.R.S. § 44-2032, that Respondents, and any of Respondents' agents, employees, successors and assigns, permanently cease and desist from violating the Securities Act.

IT IS FURTHER ORDERED that Respondents comply with the attached Consent to Entry of Order.

IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2036, that Respondents Chazel Capital, Inc., OFIR Mine Project, LP, and Kyle K. Huskin shall, jointly and severally pay an administrative penalty in the amount of \$7,500. Payment is due in full on the date of this Order. Payment shall be made to the "State of Arizona" payable by either cashier's check or money order. Any amount outstanding shall accrue interest from the date judgment is entered at the rate of 10 percent per annum.

IT IS FURTHER ORDERED that if Respondents fail to pay the administrative penalty ordered hereinabove, may be deemed in default and shall be immediately due and payable, without further notice.

1 IT IS FURTHER ORDERED, that if any Respondent fails to comply with this order, the
2 Commission may bring further legal proceedings against that Respondent, including application to
3 the superior court for an order of contempt.

4 IT IS FURTHER ORDERED that this Order shall become effective immediately.

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6 BY ORDER OF THE ARIZONA CORPORATION COMMISSION

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9 CHAIRMAN

COMMISSIONER

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11 COMMISSIONER

COMMISSIONER

COMMISSIONER

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13 IN WITNESS WHEREOF, I, ERNEST G. JOHNSON,
14 Executive Director of the Arizona Corporation
15 Commission, have hereunto set my hand and caused the
16 official seal of the Commission to be affixed at the Capitol,
17 in the City of Phoenix, this _____ day
18 of _____, 2012.

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ERNEST G. JOHNSON
EXECUTIVE DIRECTOR

DISSENT

DISSENT

24 This document is available in alternative formats by contacting Shaylin A. Bernal, ADA
25 Coordinator, voice phone number 602-542-3931, e-mail sabernal@azcc.gov.

(SLL)

CONSENT TO ENTRY OF ORDER

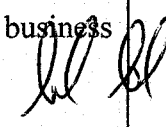
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2 1. Respondents Chazel Capital, Inc., OFIR Mine Project, LP, and Kyle K. Huskin
3 (“Respondents”) admit to the jurisdiction of the Commission over the subject matter of this
4 proceeding, Docket No. S-20848A-12-0150. Respondents acknowledge that Respondents have
5 been fully advised of Respondents’ right to a hearing to present evidence and call witnesses and
6 Respondents knowingly and voluntarily waive any and all rights to a hearing before the
7 Commission and all other rights otherwise available under Article 11 of the Securities Act and Title
8 14 of the Arizona Administrative Code. Respondents acknowledge that this Order to Cease and
9 Desist, Order for Administrative Penalties and Consent to Same (“Order”) constitutes a valid final
10 order of the Commission.

11 2. Respondents knowingly and voluntarily waive any right under Article 12 of the
12 Securities Act to judicial review by any court by way of suit, appeal, or extraordinary relief
13 resulting from the entry of this Order.

14 3. Respondents acknowledge and agree that this Order is entered into freely and
15 voluntarily and that no promise was made or coercion used to induce such entry.

16 4. Respondents acknowledge that Respondents have been represented by an attorney in
17 this matter, Respondents have reviewed this Order with Respondents’ attorney, Richard Weintraub,
18 and understands all terms it contains. Respondents acknowledge that their attorney has apprised
19 them of their rights regarding any conflicts of interest arising from dual representation.
20 Respondents acknowledge that they have each given their informed consent to such representation.

21 5. Respondents neither admit nor deny the Findings of Fact and Conclusions of Law
22 contained in this Order. Respondents agree that Respondents shall not contest the validity of the
23 Findings of Fact and Conclusions of Law contained in this Order in any present or future
24 proceeding in which the Commission or any other state agency is a party concerning the denial or
25 issuance of any license or registration required by the state to engage in the practice of any business
26 or profession.



1 6. By consenting to the entry of this Order, Respondents agree not to take any action or
2 to make, or permit to be made, any public statement denying, directly or indirectly, any Finding of
3 Fact or Conclusion of Law in this Order or creating the impression that this Order is without factual
4 basis, except Respondents may represent that the Order was entered without admitting or denying
5 the Findings of Fact and Conclusions of Law. Respondents will undertake steps necessary to
6 assure that all of Respondents' agents and employees understand and comply with this agreement.

7 7. While this Order settles this administrative matter between Respondents and the
8 Commission, Respondents understand that this Order does not preclude the Commission from
9 instituting other administrative or civil proceedings based on violations that are not addressed by
10 this Order.

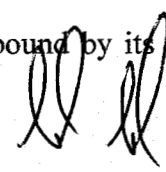
11 8. Respondents understand that this Order does not preclude the Commission from
12 referring this matter to any governmental agency for administrative, civil, or criminal proceedings
13 that may be related to the matters addressed by this Order.

14 9. Respondents understand that this Order does not preclude any other agency or
15 officer of the state of Arizona or its subdivisions from instituting administrative, civil, or criminal
16 proceedings that may be related to matters addressed by this Order.

17 10. Respondents agree that Respondents will not apply to the state of Arizona for
18 registration as a securities dealer or salesman or for licensure as an investment adviser or
19 investment adviser representative until such time as all penalties under this Order are paid in full.

20 11. Respondents agree that Respondents will not exercise any control over any entity
21 that offers or sells securities or provides investment advisory services within or from Arizona until
22 such time as all restitution and penalties under this Order are paid in full.

23 12. Respondents consent to the entry of this Order and agree to be fully bound by its
24 terms and conditions.



13. Respondents acknowledge and understand that if Respondents fail to comply with the provisions of the order and this consent, the Commission may bring further legal proceedings against Respondents, including application to the superior court for an order of contempt.

14. Respondents understand that default shall render Respondents liable to the Commission for its costs of collection and interest at the maximum legal rate.

15. Respondents agree and understand that if Respondents fail to make any payment as required in the Order, any outstanding balance shall be in default and shall be immediately due and payable without notice or demand. Respondents agree and understand that acceptance of any partial or late payment by the Commission is not a waiver of default by the Commission.

16. Andre Savard represents that he is President of Chazel Capital, Inc., and that Chazel Capital, Inc. is the General Partner of OFIR Mine Project, LP, and that he has been authorized by Chazel Capital, Inc. and OFIR Mine Project, LP to enter into this Order for and on behalf of both respondent entities.

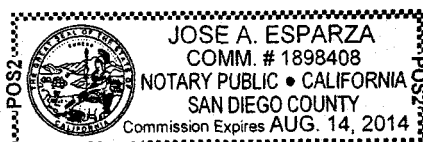
Chazel Capital, Inc., by Andre Savard, President

OFIR Mine Project, LP, by Chazel Capital, Inc.,
General Partner / Andre Savard, President of
Chazel Capital, Inc.

Kyle K. Huskin

STATE OF CALIFORNIA)
) ss
County of San Diego)

SUBSCRIBED AND SWORN TO BEFORE me this 05 day of SEPTEMBER, 2012.



NOTARY PUBLIC

13. Respondents acknowledge and understand that if Respondents fail to comply with the provisions of the order and this consent, the Commission may bring further legal proceedings against Respondents, including application to the superior court for an order of contempt.

14. Respondents understand that default shall render Respondents liable to the Commission for its costs of collection and interest at the maximum legal rate.

15. Respondents agree and understand that if Respondents fail to make any payment as required in the Order, any outstanding balance shall be in default and shall be immediately due and payable without notice or demand. Respondents agree and understand that acceptance of any partial or late payment by the Commission is not a waiver of default by the Commission.

16. Andre Savard represents that he is President of Chazel Capital, Inc., and that Chazel Capital, Inc. is the General Partner of OFIR Mine Project, LP, and that he has been authorized by Chazel Capital, Inc. and OFIR Mine Project, LP to enter into this Order for and on behalf of both respondent entities.

Chazel Capital, Inc., by Andre Savard, President

OFIR Mine Project, LP, by Chazel Capital, Inc.,
General Partner / Andre Savard, President of
Chazel Capital, Inc.

Kyle K. Huskin

Province of Québec
~~STATE OF CALIFORNIA~~)
CANADA) ss
County of Town of
Sardreuil-Dorion

SUBSCRIBED AND SWORN TO BEFORE me this 28th day of AUGUST 2012.

NOTARY PUBLIC

My commission expires:

lifetime — *je*

Chazel Capital, Inc.

By André SAVARD

Its president

Province of Québec
~~STATE OF CALIFORNIA~~)
CANADA) ss
~~County of~~ TOWN of
Val-d'Or — Donor *je*

SUBSCRIBED AND SWORN TO BEFORE me this 28th day of August 2012,

Antoine Gauthier
NOTARY PUBLIC *Antoine Gauthier*

My commission expires:

lifetime — *je*

OFIR Mine Project, LP

By André SAVARD

Its president

STATE OF CALIFORNIA)
County of) ss

SUBSCRIBED AND SWORN TO BEFORE me this _____ day of _____,

NOTARY PUBLIC

My commission expires:

SERVICE LIST FOR: Chazel Capital, Inc.

Weintraub Law Group
Richard A. Weintraub
Sara Scott
10085 Carroll Canyon Road
Suite 230
San Diego, CA 92131
Attorneys for Respondents

Jeffrey C. Matura
GRAIF BARRETT & MATURA, P.C.
1850 N. Central Ave., Suite 500
Phoenix, AZ 85004
Attorneys for Respondents

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 COMMISSIONERS

3 GARY PIERCE, Chairman
4 BOB STUMP
5 SANDRA D. KENNEDY
6 PAUL NEWMAN
7 BRENDA BURNS

8 In the matter of:

9 Chazel Capital, Inc., a Canadian
10 corporation,

11 OFIR Mine Project, LP, a California limited
12 partnership,

13 Kyle K. Huskin, a California resident,

14 Respondents.

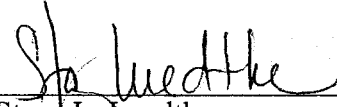
DOCKET NO. S-20848A-12-0150

**NOTICE OF FILING OF PROPOSED OPEN
MEETING AGENDA ITEM**

15 Pursuant to A.A.C. R14-4-303, you are hereby notified that the attached: Order to Cease
16 and Desist, Order For Restitution, Order For Administrative Penalties and Consent to Same By:
17 Respondent Chazel Capital, Inc., Respondent OFIR Mine Project, LP, and Respondent Kyle K.
18 Huskin was filed with the Arizona Corporation Commission's Docket Control.

19 Dated: 9/21/12

By:


Stacy L. Luedtke
Attorney for the Securities Division of the
Arizona Corporation Commission

20 I hereby certify that I have this day served the foregoing document on all parties of record in this
21 proceeding by mailing a copy thereof, properly addressed with first class postage prepaid to:

22 Weintraub Law Group
23 Richard A. Weintraub
24 Sara Scott
25 10085 Carroll Canyon Road
26 Suite 230
San Diego, CA 92131
Attorneys for Respondents

Decision No. _____

1 Jeffrey C. Matura
2 GRAIF BARRETT & MATURA, P.C.
3 1850 N. Central Ave., Suite 500
4 Phoenix, AZ 85004
5 *Attorneys for Respondents*

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BY: Julie L. Dodge